

**STATEMENT OF
CAPTAIN LEE MOAK
CHAIRMAN, DELTA AIR LINES MASTER EXECUTIVE COUNCIL
AIR LINE PILOTS ASSOCIATION, INTERNATIONAL**

**BEFORE THE
SUBCOMMITTEE ON AVIATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
UNITED STATES HOUSE OF REPRESENTATIVES**

WASHINGTON DC

May 14, 2008

**THE IMPACT OF CONSOLIDATION ON
THE AVIATION INDUSTRY,
WITH A FOCUS ON THE PROPOSED MERGER BETWEEN
DELTA AIR LINES AND NORTHWEST AIRLINES**

**Delta Master Executive Council
Air Line Pilots Association, Int'l
100 Hartsfield Centre Parkway
Suite 200
Atlanta, GA 30354
404-763-4925**



**STATEMENT OF
CAPTAIN LEE MOAK
CHAIRMAN, DELTA AIR LINES MASTER EXECUTIVE COUNCIL
AIR LINE PILOTS ASSOCIATION, INTERNATIONAL**

**BEFORE THE
SUBCOMMITTEE ON AVIATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
UNITED STATES HOUSE OF REPRESENTATIVES
ON
THE IMPACT OF CONSOLIDATION ON THE AVIATION INDUSTRY,
WITH A FOCUS ON THE PROPOSED MERGER BETWEEN
DELTA AIR LINES AND NORTHWEST AIRLINES**

MAY 14, 2008

Mr. Chairman, Ranking Member Petri, and members of the Committee, thank you for providing me the opportunity to testify in today's hearing on the "Impact of Consolidation on the Aviation Industry, with a Focus on the Proposed Merger between Delta Air Lines and Northwest Airlines."

My name is Lee Moak, and I am a Captain with Delta Air Lines. I am also the chairman of the Delta Master Executive Council of the Air Line Pilots Association (ALPA), the governing body of the union that represents the over 7,300 pilots of Delta Air Lines. I have flown for Delta for over 20 years. Prior to my career at Delta, I served this nation as a United States Marine Corps fighter pilot, and as I joined Delta, I transitioned to the Naval Air Reserve Force to finish my military career as a US Navy fighter pilot. At Delta, I was one of the many airline pilots who volunteered to transport our troops to the Middle East on Delta aircraft as part of our country's Civil Reserve Air Fleet (CRAF), a crucial program that allows for the rapid mobilization of our nation's civil airlift resources to meet Department of Defense force projection requirements as demonstrated in Operation Desert Storm/Shield and Operation Iraqi Freedom.

I mention my military credentials because, as I continue, I want to emphasize that I am proud of my service in defense of our American way of life and its free market economy.

Our nation's aviation industry is unique, and careful government scrutiny and oversight must ensure that any potential industry consolidation is in the best interests of the traveling public. It is for this reason that, as a union leader, I welcome this opportunity to testify in *support* of the proposed merger between Delta Air Lines and Northwest Airlines.

=====

Since 2001, our country's airline industry has been through the worst seven years of its existence, and many challenges loom on the horizon. The protectionist union mindset must change if our industry is to survive, and more importantly, thrive. While that statement may seem paradoxical coming from a labor leader, it is not. My goal, and that of our union, is that our pilots be provided with pay, benefits and retirements commensurate with the responsibility and experience we bring to our profession. An airline with the increased potential to be financially healthy with a stable long-term future provides the best opportunity to ensure that happens.

We must find a way to break from our traditional roles while still ensuring we represent the best interests of our members as we help to forge a new future. After all, management teams come and go; it is the employees who stay for a career.

That is why the Delta pilots' union leadership elected to provide our pilots with an alternative to the traditional merger process. We were recently able to reach a consensual agreement with Delta management designed to facilitate the merger while providing financial returns for the value we bring to the transaction.

An important part of that agreement is the *unanimous* commitment on the part of Delta's pilot union leaders that "the Delta [union leadership] welcomes the Northwest pilots as partners in the building of the new merged airline and looks forward to working with the Northwest [union leadership] to bring about the rapid completion of a new joint agreement to take effect on the closing of the corporate transaction providing immediate

parity in rates of pay and further providing for a rapid completion of a fair and equitable integrated seniority list to take effect on the effective date of the new joint agreement.”

Northwest Airlines MEC Chairman Captain Dave Stevens and I have discussed the importance of commencing negotiations with Delta management in the very near future.

The Delta pilots have a long and proud history of treating each other fairly and acting with the best interests of our fellow pilots in mind, as demonstrated by our successful integrations of the pilots of Northeast Air Lines in the 70’s, Western Airlines in the 80’s, and Pan Am in the 90’s. Make no mistake, once the corporate transaction closes, the Delta and Northwest pilots will *all* be Delta pilots. Our ethics, our integrity and our record of fairness and professionalism *will not* be compromised as we transition to a group over 12,000 strong.

To understand why we are where we are today, it is useful to take a brief look at the recent history of Delta and Northwest and the industry as a whole.

On September 11, 2001, terrorists used commercial airliners as weapons of mass destruction to attack the United States of America. Those horrific events changed our lives forever and also marked the beginning of drastic change for America’s aviation industry. In the years that followed, the airline industry was rocked by record financial losses, skyrocketing oil prices (which were a bargain compared to today’s prices), increased security costs, and numerous airline bankruptcies and liquidations.

Delta and Northwest were two of the carriers that successfully restructured under Chapter 11 of the U.S. Bankruptcy Code during this timeframe. When Delta and Northwest exited bankruptcy in the spring of 2007, crude oil traded in the mid-sixty dollar per barrel range, and the industry appeared to be on the rebound. But that rebound was short-lived.

Just last week, the price of crude broke through the \$126 per barrel mark, an increase of over **90 percent** in the past year, and many analysts predict the cost of crude will

continue to rise. Additionally, the nation's economy is suffering, and many economists assert that we are entering a recession; others argue we may already be in recession. The credit markets have become increasingly difficult if not impossible to access. Last month, due largely to the unavailability of debtor-in-possession financing, Aloha, ATA, Skybus and EOS ceased operations; Champion Air announced that it will shut its doors on May 31. Frontier Airlines recently filed for Chapter 11 protection. Legitimate concerns exist about the long-term financial viability of several other carriers, both large and small. The market continues to punish airline stock prices to the point that the sum market capitalization of all six U.S. network carriers is now less than that of Lufthansa.

In short, our nation's aviation industry is now in jeopardy for the second time since the terrorist attacks of September 11, 2001, and if it is to survive, there must be change. The economics of the industry overwhelmingly suggest that the time for *rational and sensible* industry consolidation has arrived.

From its earliest days, airline industry consolidation has been a controversial and often emotionally charged topic. Some will argue that consolidation—any consolidation—must be avoided at all costs, but the fact of the matter is that many of our nation's current airlines—including Delta and Northwest—are themselves products of several consolidating events.

It is my view that each merger must be weighed on its own merits and within the context of the many variables that affect both the involved carriers and the industry itself. Mergers must be evaluated based on the facts, not on the fear and other emotions that so often dominate the discussion.

Just over fifteen months ago, I submitted written testimony to the U.S. Senate Committee on Commerce, Science and Transportation. The committee was holding a hearing entitled "State of the Airline Industry: The Potential Impact of Airline Mergers and Industry Consolidation." At that time, Delta Air Lines was the target of a hostile takeover attempt by US Airways, an attempt which ultimately failed due in large part to

the extreme opposition demonstrated by Delta's employees. I submitted my testimony on behalf of the pilots of Delta Air Lines who, along with tens of thousands of other Delta employees, stood solidly opposed to the hostile takeover attempt of our company.

Today, I am submitting testimony on a distinctly different matter, the proposed merger between Delta Air Lines and Northwest Airlines, and I am testifying in *support* of the proposed merger.

While you may ask whether I have changed my position on industry consolidation since I testified last year, nothing could be further from the truth. In fact, the position of the Delta pilots' union has been clear and consistent over time. Last year, in opposition to US Airways' hostile takeover attempt, I wrote:

Many leading industry experts suggest, and we recognize, that eventually, industry consolidation is not only likely, but probable and perhaps even inevitable. With that in mind, I want to make the following point:

We support a free market solution that includes *rational* industry consolidation; consolidation that does not lead to reduced service, increased fares and other problems for the industry's constituents.

In the future, *sensible* airline consolidation opportunities may occur. If faced with such an opportunity, the pilots of Delta Air Lines are interested in participating in the "right" consolidation effort, a consensual merger with a rational mix of routes, employees and resources, and with the absence of major antitrust and other detrimental issues. The "right" merger opportunity could draw our support and result in a successful merger that benefits everyone involved—the traveling public, the corporations, the employees, and the communities we serve.

The Delta pilots have consistently asserted that for a merger to draw our support, the combination must produce an even *stronger* and *growing* airline that will vigorously and successfully compete in the domestic and international marketplaces for years to come. After all, a financially viable airline provides the best long-term security and career prospects for all employees including the pilots I represent and is also in the best interests of our passengers.

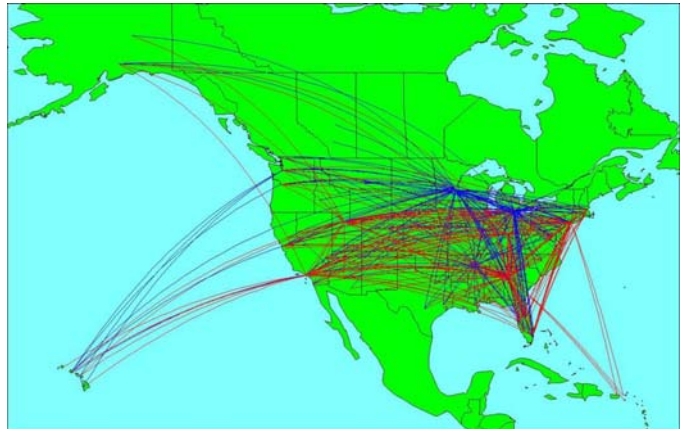
The proposed merger between Delta and Northwest is far different from the one that would have resulted had US Airways been successful in its attempt to take over Delta. Delta and US Airways are strong competitors in many markets, with large overlapping route structures and several hub city pairs located in close geographic proximity. Had that takeover attempt succeeded, it would have cost thousands of jobs,



US Airways/Delta Combined Domestic Route Map

significantly reduced competition in key business markets, resulted in hub closures and eliminated customer choice, all in the name of a short-term financial gain for a few.

In contrast, the proposed merger between Delta and Northwest is an “end-to-end” merger with far different dynamics. Delta and Northwest have very little route overlap both domestically and internationally, and in fact have complementary route structures that will *expand* opportunities to the traveling public. Over the months leading up to the merger announcement, the Air Line Pilots Association conducted its own independent analysis which showed that the value in the proposed merger will manifest itself not at the expense of employees, passengers and communities served, but by the synergies of the combined strengths of both carriers. As a result, the merger will serve the interests of the corporation, the approximately 78,000 employees of the merged company, the communities we serve and most important, the lifeblood of our industry, our passengers.



Delta/Northwest Combined Domestic Route Map

As a union leader, I would like to discuss the merger from a labor integration standpoint. The stated purpose of this hearing is to investigate the impact of consolidation on the aviation industry, with a focus on the proposed merger between Delta Air Lines and Northwest Airlines. Other congressional committees have conducted similar hearings in recent weeks. The discussion has sometimes turned to issues of union representation. I respect and support the right of my fellow employees to exercise their right to self-determination regarding union representation now and in the future, but this is not a hearing on union representation.

That said, there has been much rhetoric directed toward labor integration issues surrounding the proposed merger between Delta and Northwest, and I would like to provide my perspective. Much of the discussion is based, not on facts, but on emotion and fear mongering by those who purport to speak on behalf of airline workers throughout North America when they do not. The fact is, while some segments of the labor movement have expressed reservations or even opposition to the proposed merger between Delta and Northwest, that sentiment is far from universal.

Some have even suggested that government re-regulation will somehow solve the industry's problems including labor integration issues. I strongly disagree. This global industry is rapidly moving toward less regulation, not more, through open skies agreements and expanded international alliances that have increased competitive pressures worldwide. Globalization *is* our future.

An important operating premise of the re-regulation argument and other similarly misguided arguments is that all consolidation is inherently bad and would never be necessary if airline management teams would simply "manage their airlines." To be clear, I am not and will never be an apologist for airline management. Airline history is rife with examples of gross mismanagement, and that mismanagement has certainly contributed to the woes of this industry. But the other half of the story is that the labor movement has often found it convenient or perhaps even necessary to identify a villain—a villain who can be blamed for all that goes wrong with our industry and our careers, and

airline management has often been a convenient target. The price of oil and the condition of the economy are but two of the factors that are beyond the control of either labor or management, yet both can have and are having devastating effects on the industry.

Collectively, we have a choice to make. We can sit back and do nothing and hope that everything will turn out ok—that the price of oil will retreat; that the economy will recover quickly; that consumer confidence will return; that the credit markets will be revived. Or we can be proactive and embrace a rational consolidation strategy designed to provide for a financially stable and investable airline with the prospect for a much brighter future than might otherwise be possible.

In my opening remarks, I acknowledged that careful government scrutiny and oversight must ensure that any potential industry consolidation is in the best interests of the traveling public. I submit that the proposed merger between Delta Air Lines and Northwest Airlines is not only in the best interests of the traveling public, but also the employees of both companies, the communities we serve, our nation's aviation industry and economy.

We look forward to working with all 78,000 employees of the merged Delta as we help build our nation's first truly global airline.

On behalf of the over 7,300 professional pilots of Delta Air Lines, thank you for the opportunity to testify before the committee.